

# FY 2014 Results

Emirates Integrated Telecommunications Company PJSC

February 2015



# Contents



Highlights of the Full Year Results

Slide

3

Market Information

8

Financial Summary

10

# 2014 Year In Review

## Proud to announce another year of strong performance across all areas of the business

- Positive growth trend for Revenue
  - Achieved 13.3% like for like revenue growth in 2014, up to AED 12.2 billion
  - 16.8% year on year growth in EBITDA, increasing to AED 5.03 billion
  - 22.8% increase in Net Profit before royalty to AED 3.70 billion
- Mobile data revenues continued to increase and rose by 18% compared to 2013 to AED 2.79 billion.
- Strong customer additions pushed the mobile customer base to 7.34 million by the end of Q4 2014

## Continues delivery of enhanced customer experience

- Significantly enhanced end-to-end customer experience by reducing complexity across services and products
- Creation of a dedicated 'digital experience' team to implement and integrate digital strategy

## Focus on development of our people

- Emiratization reached 35.4% of our total workforce compared to 34% in 2013

## Maximising shareholder value

- Proposed second dividend payment of AED 0.20 per share, bringing total annual dividend payment to AED 0.32 per share
- Maximised returns for shareholders with optimised operational efficiencies, infrastructure investment and cash flow generation

## Investing in the future of our business

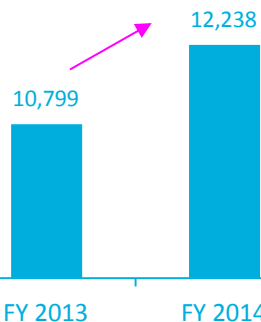
- Free Cash Flow in 2014 remained positive, ending the year with AED 2.19 billion
- Secured a major contract with the UAE Federal Government to build and design the environment required for the Government's FEDnet initiative, to provide high speed connectivity and consolidation between the various existing e-Government systems
- Named as official Smart City partner for the Dubai Government for its flagship 'WiFi UAE' initiative, to deploy free WiFi in popular locations across the Emirate and providing customers with a seamless experience when it comes to accessing and using data
- Extending our 3G and 4G network, enhancing our capability and coverage and rolling out our fibre optic network
- Continued leverage of our stake in Khazna Data Centre to better serve our Enterprise customers and aid ICT industry-related diversification



# Full Year Financial Highlights

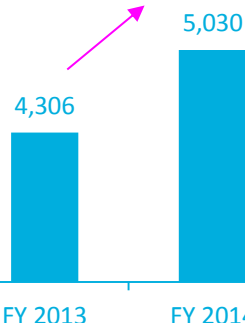
## Total Revenue (AED M)

+13.3%



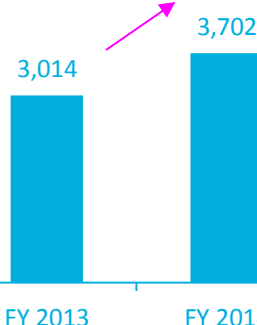
## EBITDA\* (AED M)

+16.8%



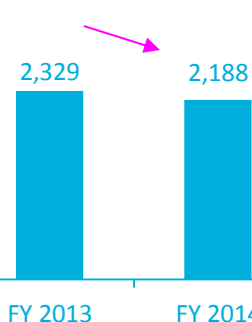
## Net Profit before Royalty (AED M)

+22.8%



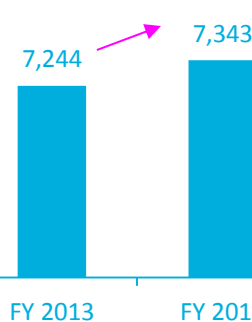
## Free Cash Flow (AED M)

-6.1%



## Mobile Customers 90 Day Active Subs (000s)

+1.4%



### Strong revenue growth

- Strong performance was posted across all primary areas of the business year on year
- Mobile data revenues grew 18.0% year on year, now representing 29.7% of mobile service revenues in 2014 from 27.4% in 2013

### Strong EBITDA performance

- Double digit revenue growth and continued focus on operational efficiencies contributed to the growth in EBITDA
- EBITDA as a percentage of revenues increased year on year from 39.9% in 2013 to 41.1% in 2014

### Strong profit growth

- Strong increase in net profit before royalty due to strong performance in EBITDA
- Net profit before royalty percentage grew to 30.2%, up from 27.9% in 2013

### Higher royalty rate

- Comparatively higher royalty rates year on year resulted in higher royalty payment by approximately AED 300m

### Focus on high value customers

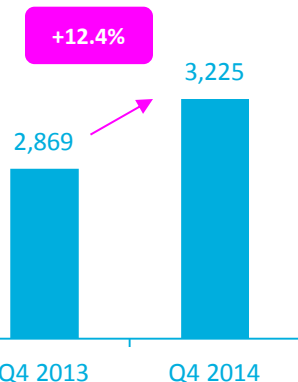
- Continued focus on high value customers contributed to an increase in post paid subscribers by 19.7%

\* 2013 EBITDA restated by AED 15m for 2014 EBITDA definition



# Q4 Financial Highlights

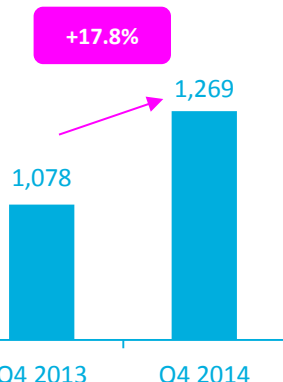
## Total Revenue (AED M)



### Strong revenue growth

- Mobile and fixed services were the main contributors to revenue growth
- Data revenue experienced a continued upward trend, representing 31.6% in Q4 2014 as a percentage of mobile service revenues, up from 29.3% in Q4 2013

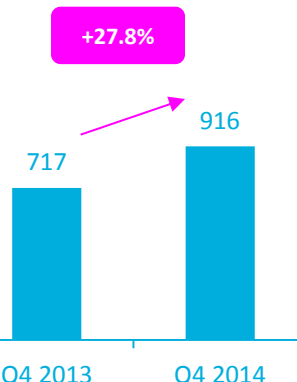
## EBITDA (AED M)



### Strong EBITDA growth

- Continued operational efficiencies further reduced operating expenses as a percentage of revenue from 62.4% in Q4 2013 to 60.6% in Q4 2014

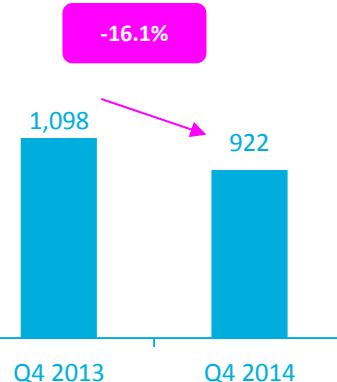
## Net Profit before Royalty (AED M)



### Strong net profit growth

- Strong growth in EBITDA while reduced depreciation and impairment assets positively affected the increase in net profit before royalty

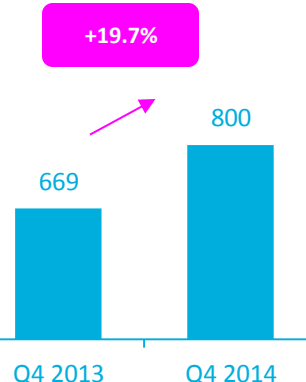
## Free Cash Flow Quarterly (AED M)



### Stable FCF

- Free cash flow lower due to higher payments in Q4 2014, mainly for inventory items and prior years interconnection settlements by AED 380m

## Post-paid Customers (000s)



### Strong post-paid customer base

- Focus on high value customers through attractive offerings provided the boost in post paid subscriber base



# Progressive Dividend Payment

## Proposed dividend payment

---

AED per share	2013	2014
Interim Dividend	0.12	0.12
Final Dividend	0.19	0.20
Total Dividend	0.31	0.32
Total Amount (AED)	1.41 billion	1.46 billion

### Sustained focus on creating shareholder value

- Proposed dividend of AED 914 million
- Du commenced an interim dividend program from Q2 2013

Note: A special cash dividend of AED 0.10 per share amounting to AED 457 million was paid in 2013



# Contents



Highlights of the Full Year and Q4 Results

Slide

3

Market Information

8

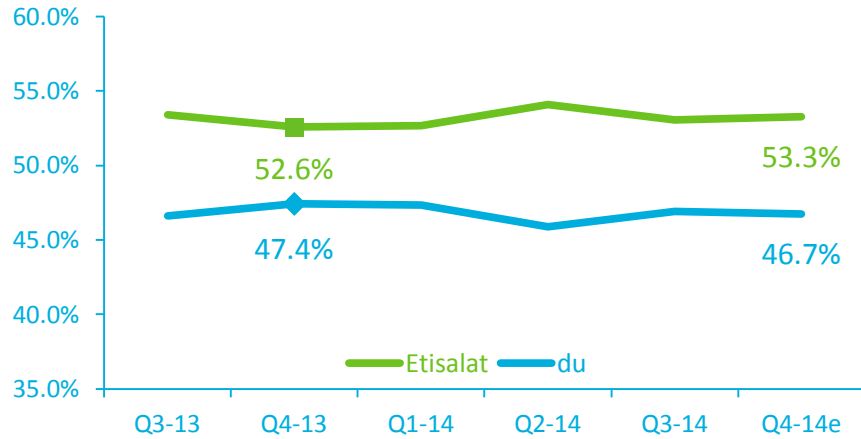
Financial Summary

10

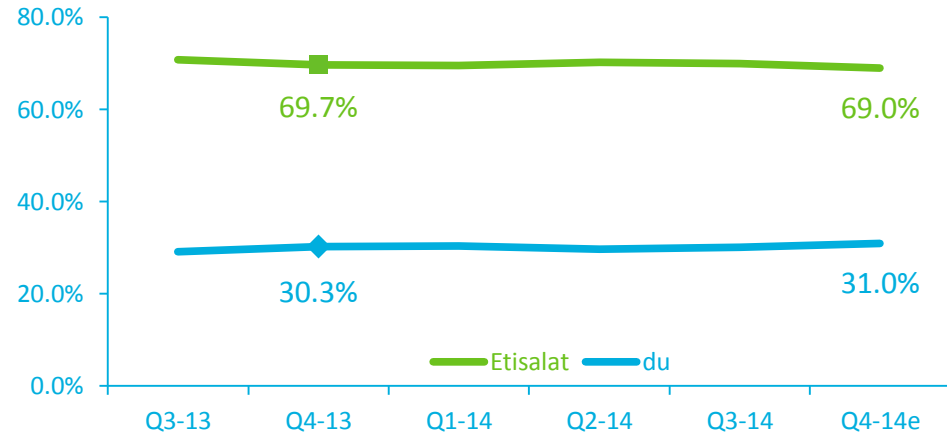
# Market Overview

Market share consolidation – emphasis on growing revenue share

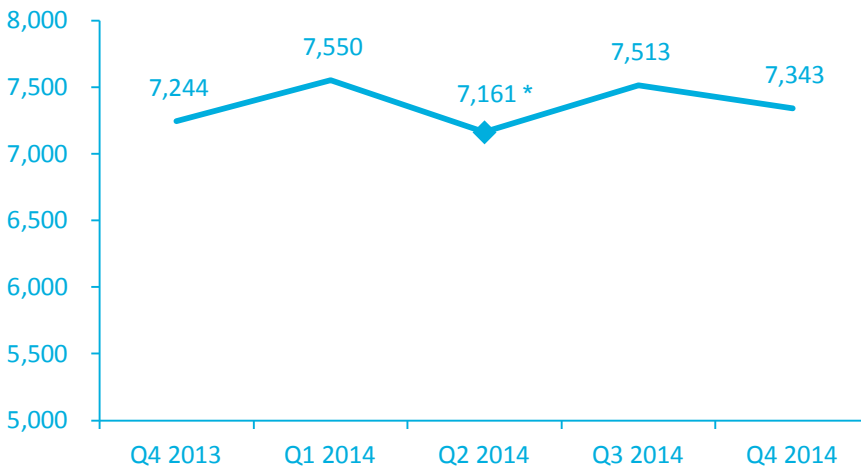
## UAE Mobile Subscribers - Market share quarterly evolution



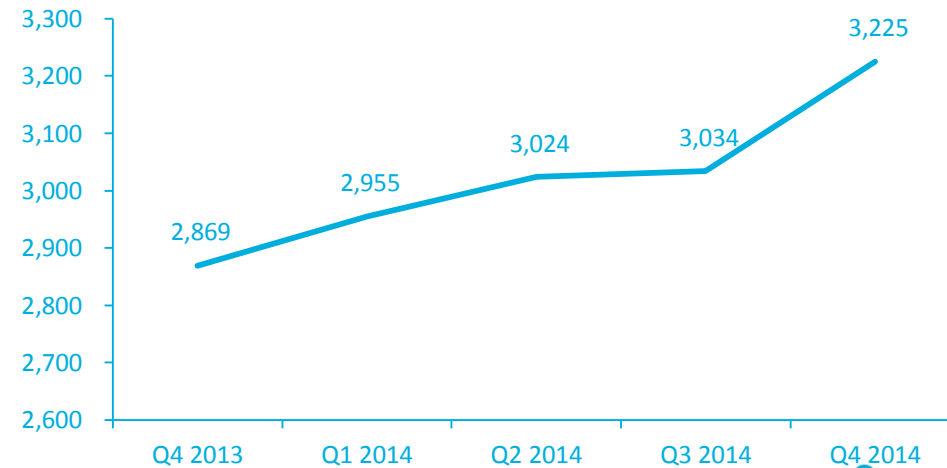
## UAE Telecom Market - Revenue share quarterly evolution



## du Mobile Subscribers – Active 90 Days (000s)



## du Total Revenues (AED M)



Source: TRA Market Statistics October 2014, Internal estimates, Etisalat quarterly/annual financial reports

\* My Number My Identity campaign impact





# Contents



Highlights of the Full Year and Q4 Results

Slide

3

Market Information

8

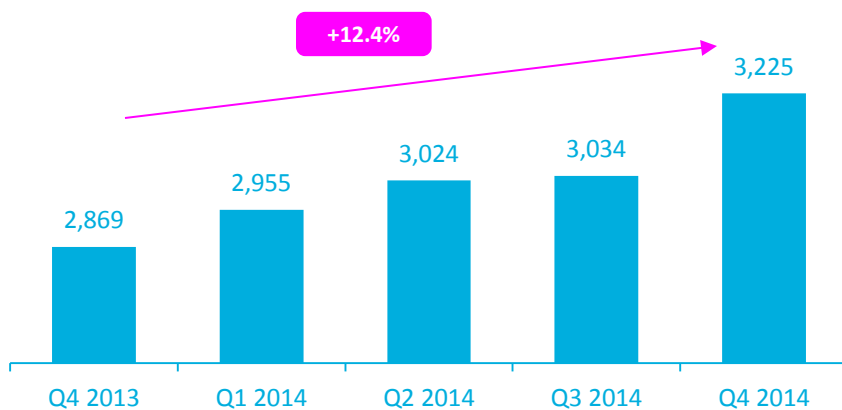
Financial Summary

10

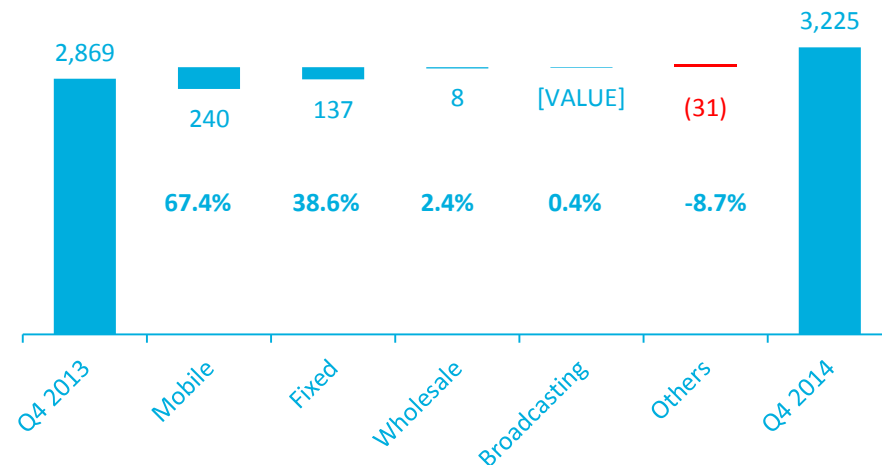
# Total Revenues

Mobile and fixed business drive revenues up

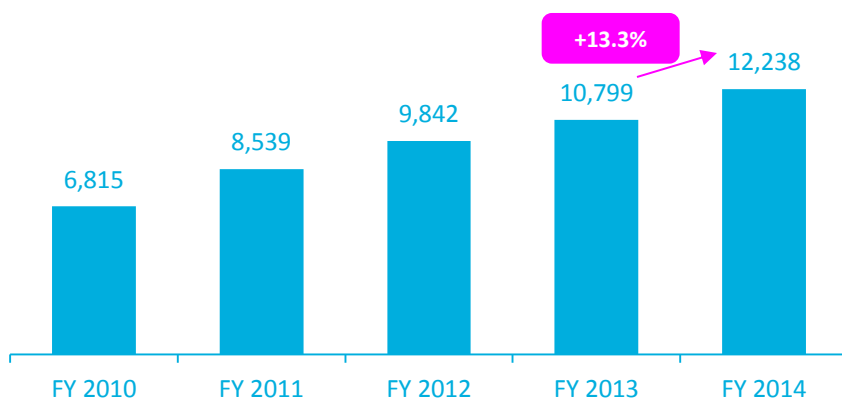
Quarterly Revenue (AED M)



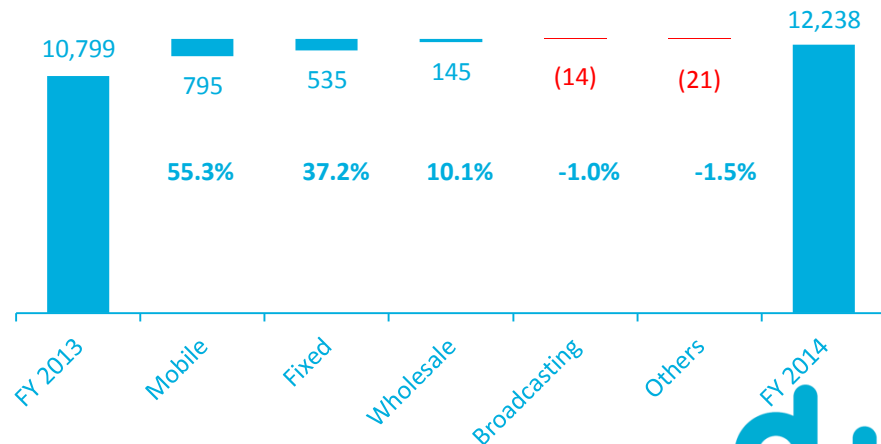
Like for Like Revenue Breakdown Quarter Change (AED M)



Full Year Revenue (AED M)



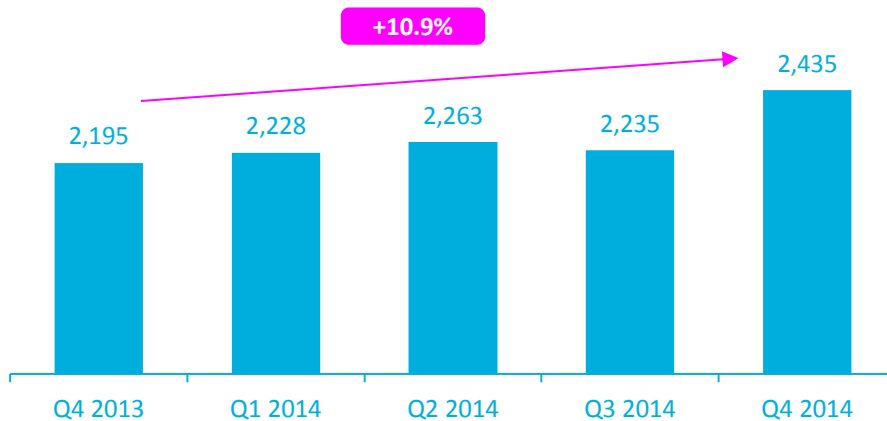
Like for Like Revenue Breakdown Yearly Change (AED M)



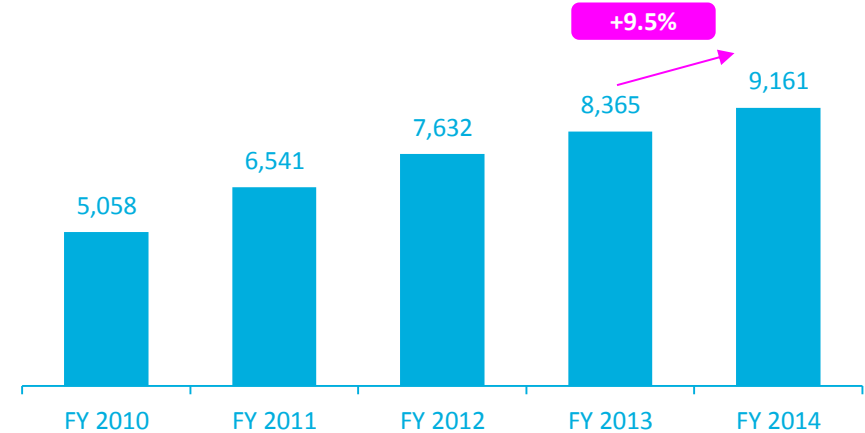
# Revenue Drivers – Mobile

Mobile ARPU increased despite increased competition in mobile market

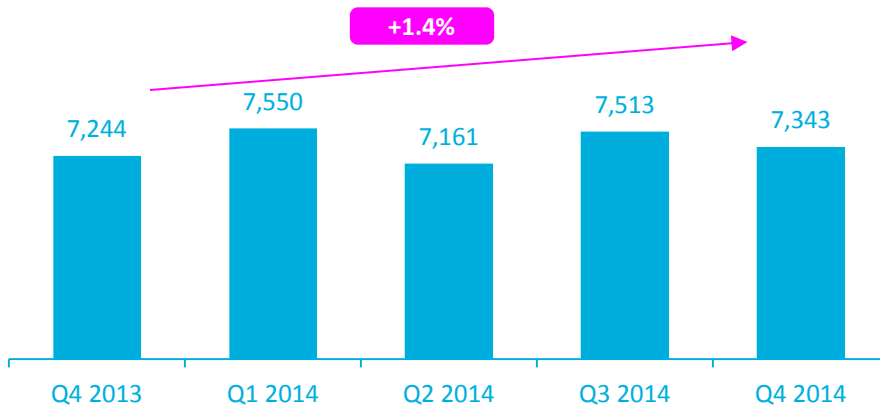
## Quarterly Mobile Revenues (AED M)



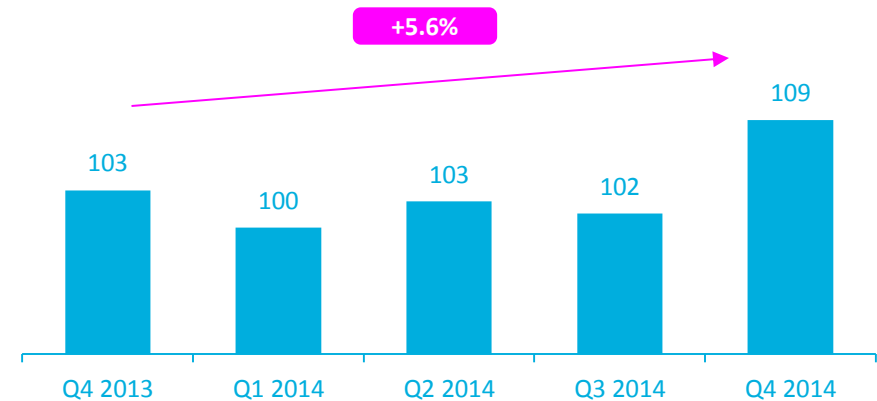
## Year on Year Mobile Revenues (AED M)



## Mobile Subscribers Active 90 Days ('000)



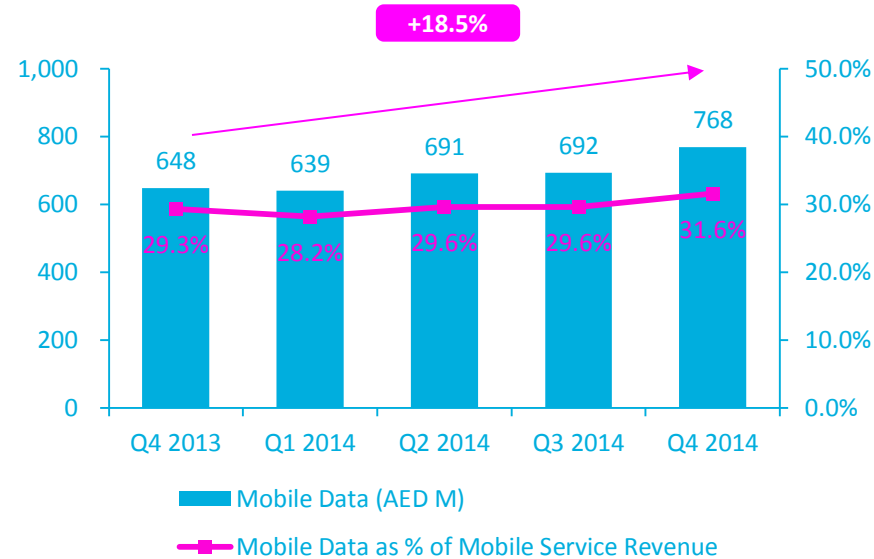
## Quarterly Market Mobile ARPU (AED)



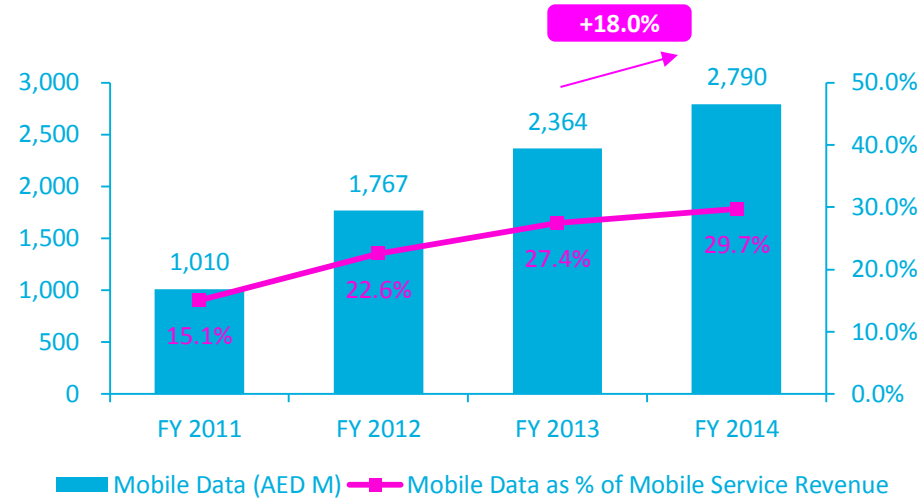
# Revenue Drivers – Mobile Data

Data revenues continue its growth trend along with global demand for data

Quarterly Mobile Data Revenues (AED M)



Yearly Mobile Data Revenues (AED M)



## Data offerings and increasing demand for data contributed to growth

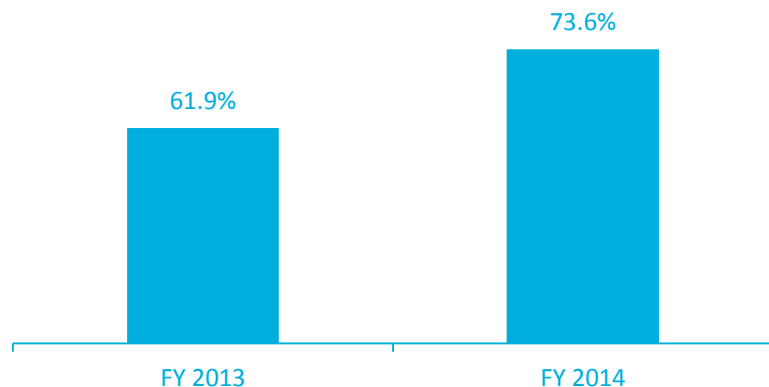
- Increased data usage among subscribers as well as an increased post paid subscriber base
- Higher penetration of smartphones through handset offers, a big driver to growth in data usage
- Continued effort in monetization of mobile data



# Revenue Drivers – Mobile Postpaid

High-value postpaid segment backs growth

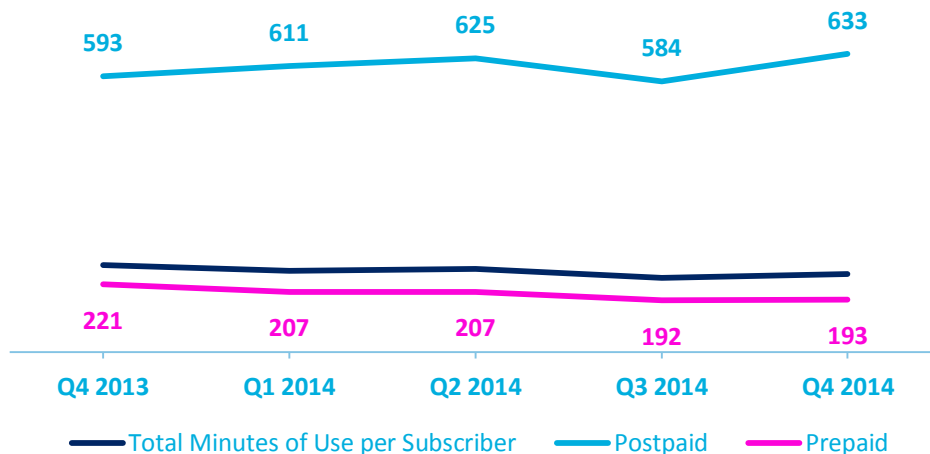
**Postpaid growth to mobile revenue growth**  
(excluding inbound roaming and handset revenue)



## Post-paid contribution continues to grow

- Post-paid customers were a major contributor to growth in mobile revenues in 2014
- The increase consisted of the rise in post paid customer base as well as increased data usage

## Quarterly Minutes of Use per Subscriber by Customer Segment



## Minutes of use up across high value subscribers

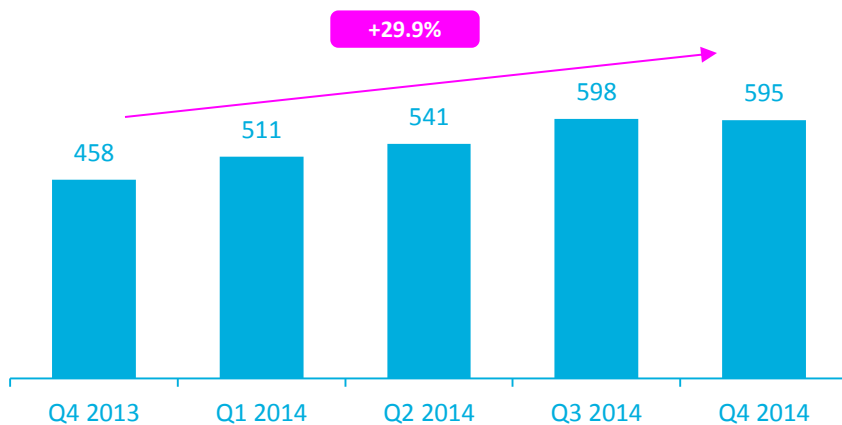
- Postpaid usage among customers increased due to seasonality
- Prepaid minutes of use minutes per subscriber of use remained stable in favor of data usage



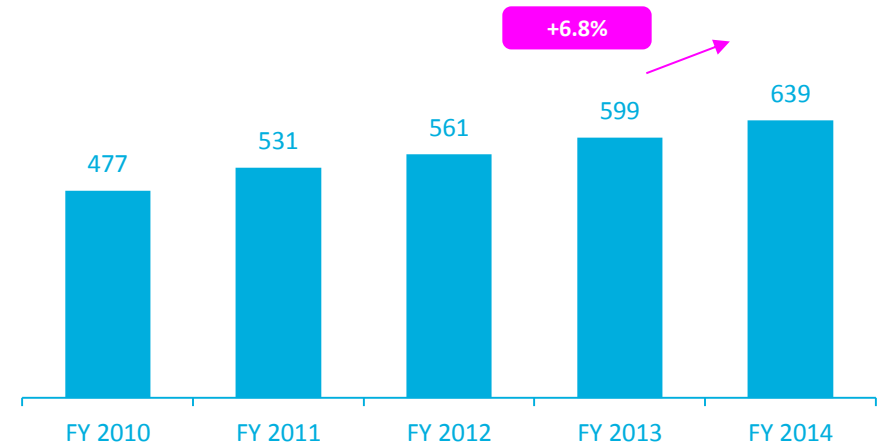
# Revenue Drivers – Fixed

Strong performance in fixed business

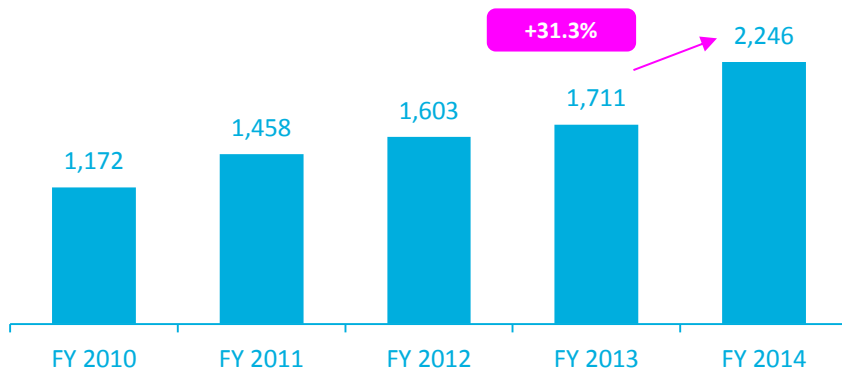
## Quarterly Fixed Revenue (AED M)



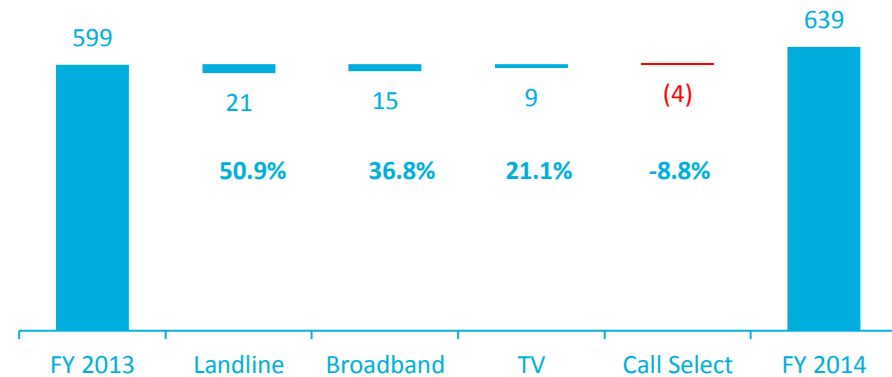
## Yearly Fixed Line Subscribers ('000)



## Full Year Fixed Revenue (AED M)



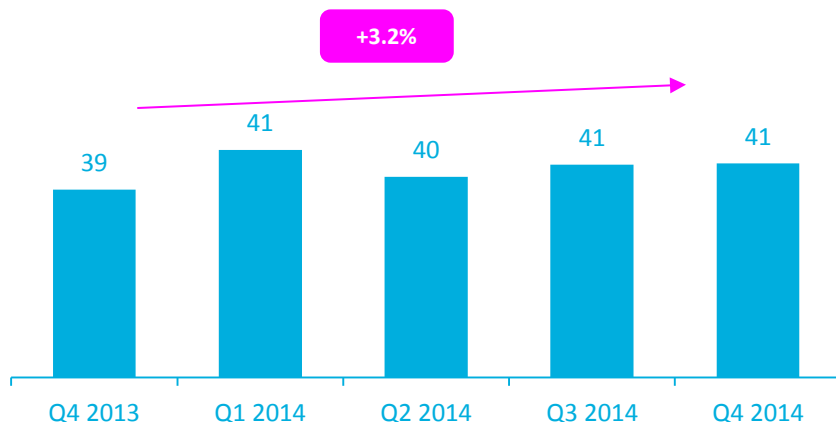
## Fixed Line Subscriber Breakdown Yearly Change ('000)



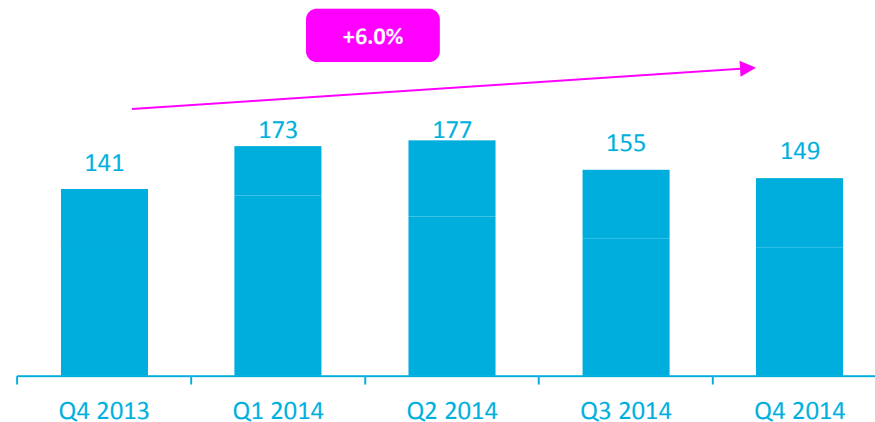
# Revenue Drivers – Broadcast & Wholesale

Strong growth in wholesale business

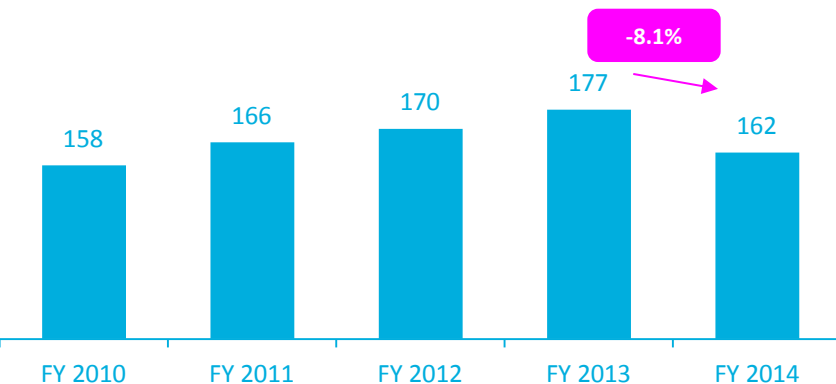
## Quarterly Broadcast Revenues (AED M)



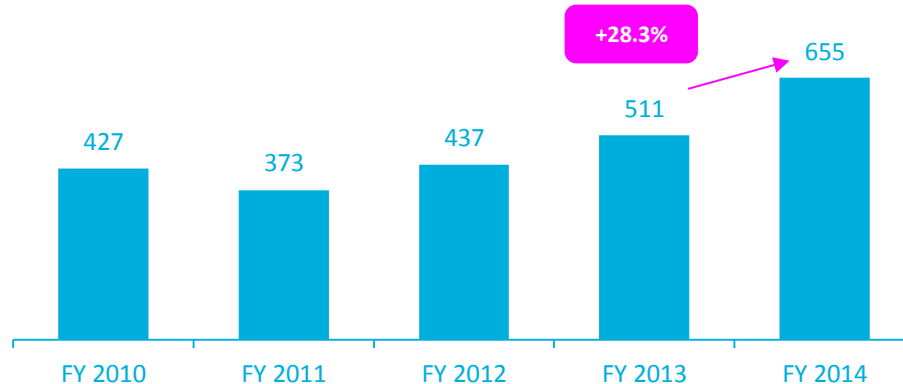
## Quarterly Wholesale Revenues (AED M)



## Full Year Broadcast Revenues (AED M)



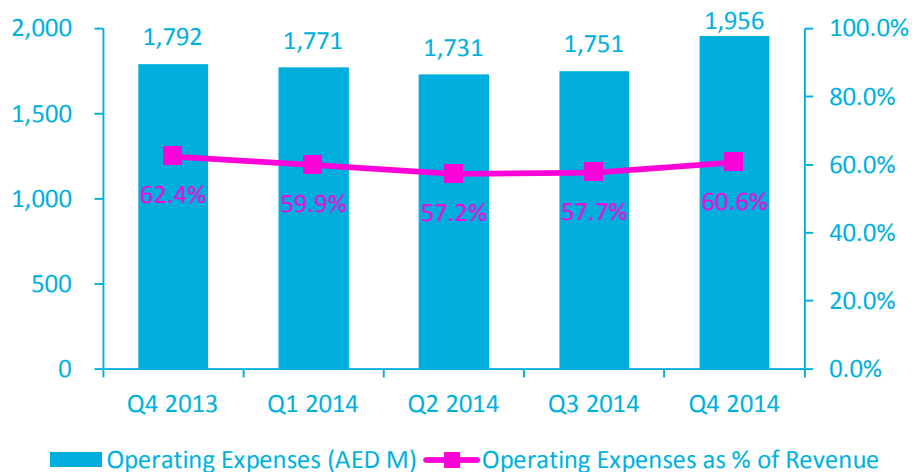
## Full Year Wholesale Revenues (AED M)



# Operating Expenses

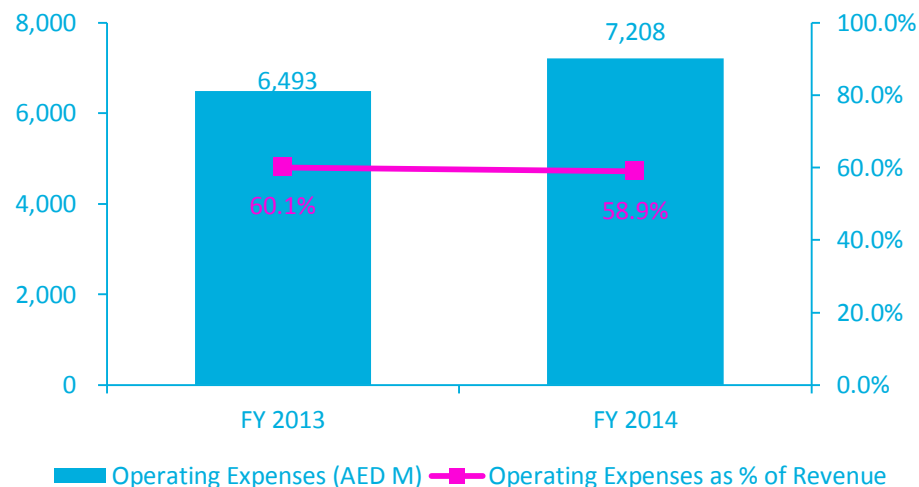
Maintained efficiencies along with continued drive for improved performance

## Quarterly Operating Expenses (AED M)



- Higher mobile handset cost in comparison with Q3 2014
- Higher spend on marketing campaigns and manpower cost during the quarter

## Year on Year Operating Expenses (AED M)



- Higher spend on mobile handsets and customer acquisition costs
- Efficiencies in operating expenses resulted in reduction in % of revenue



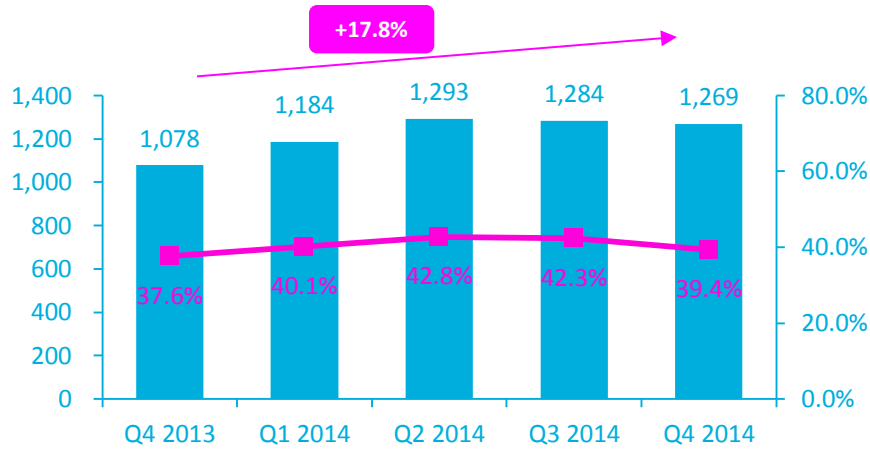
New definition introduced for operating expenses. Expenses categorised according to nature



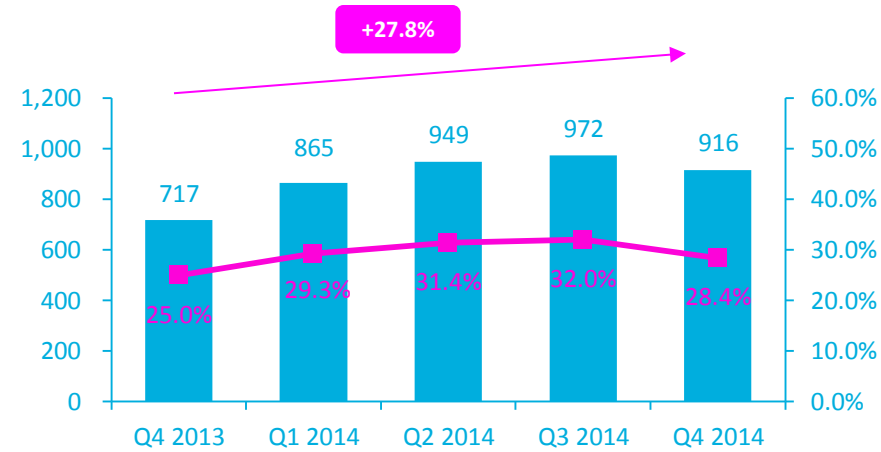
# Profitability

Strong performance in EBITDA and Net Profit

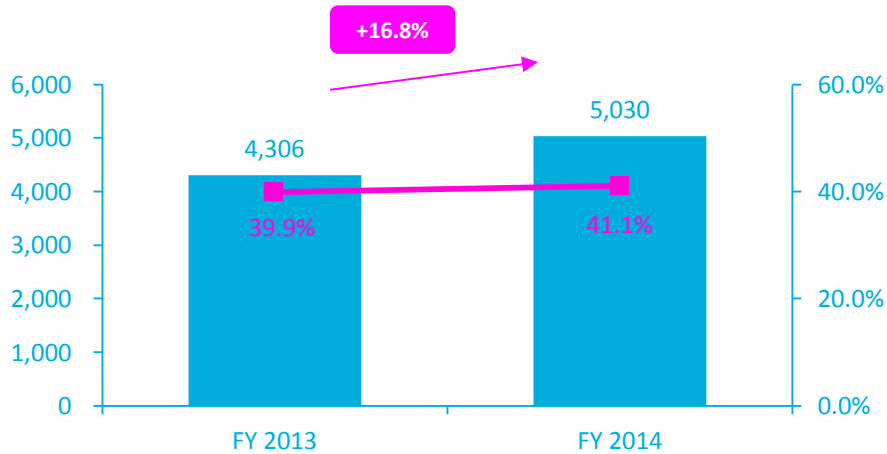
Quarterly EBITDA\* (AED M)



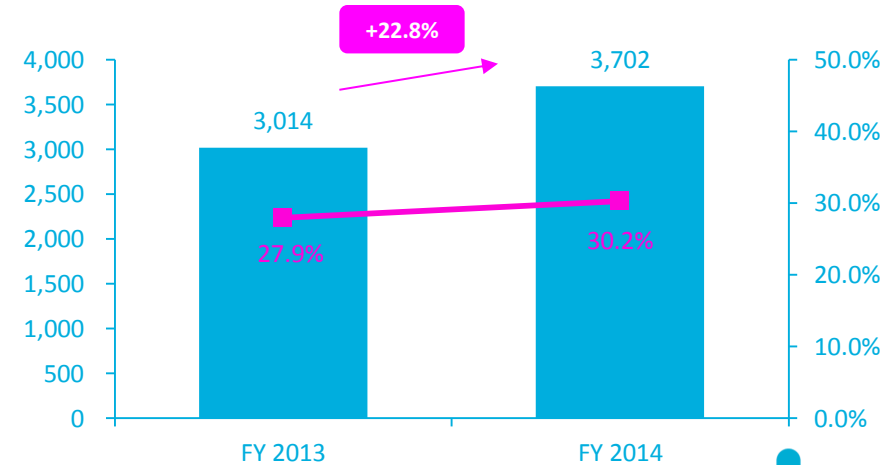
Quarterly Net Profit before Royalty (AED M)



Yearly EBITDA\* (AED M)



Yearly Net Profit before Royalty (AED M)

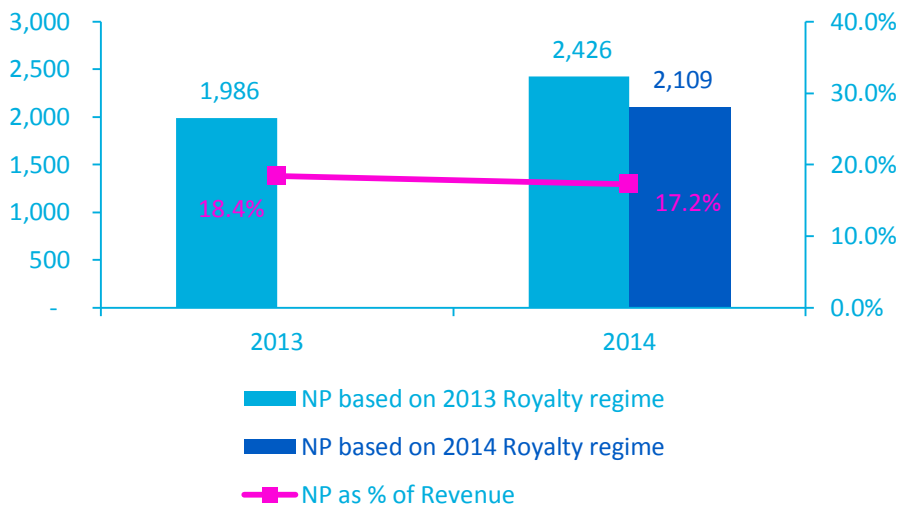


\* 2013 EBITDA restated in accordance with new definition

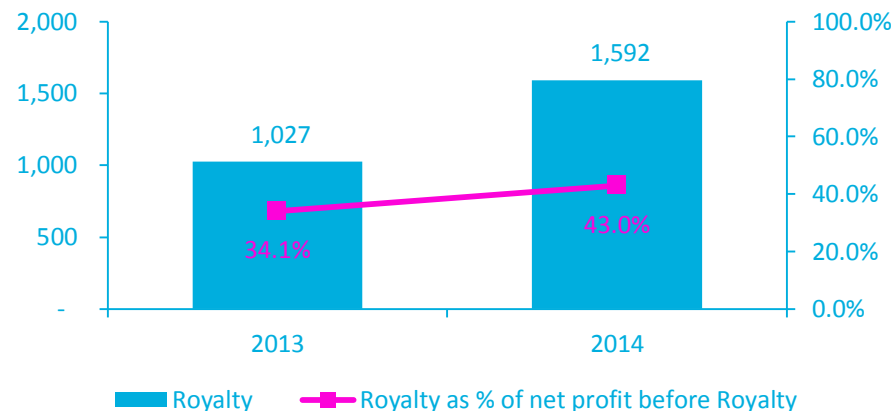


# Royalty Overview

Net Profit after Royalty Compared (AED M)



Royalty Compared (AED M)



Royalty Methodology Compared

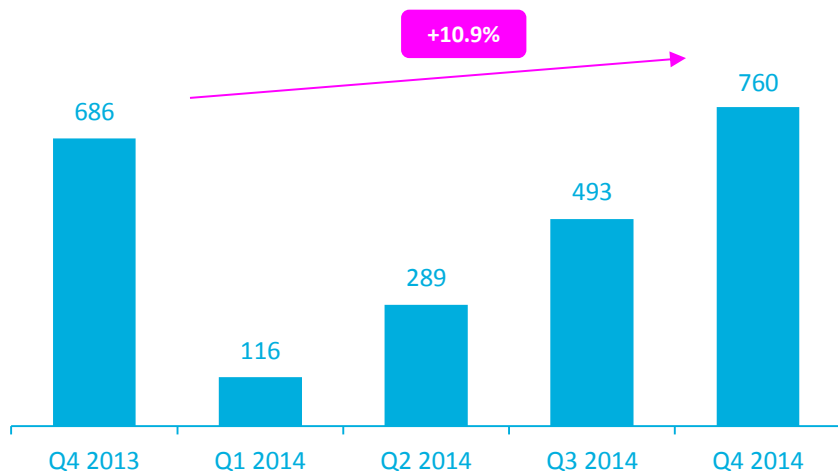
Royalty	2013	2014	2015	2016
Royalty rate on Regulated Revenue	7.50%	10.00%	12.50%	15.00%
Royalty rate on Net Profit	20.00%	25.00%	30.00%	30.00%



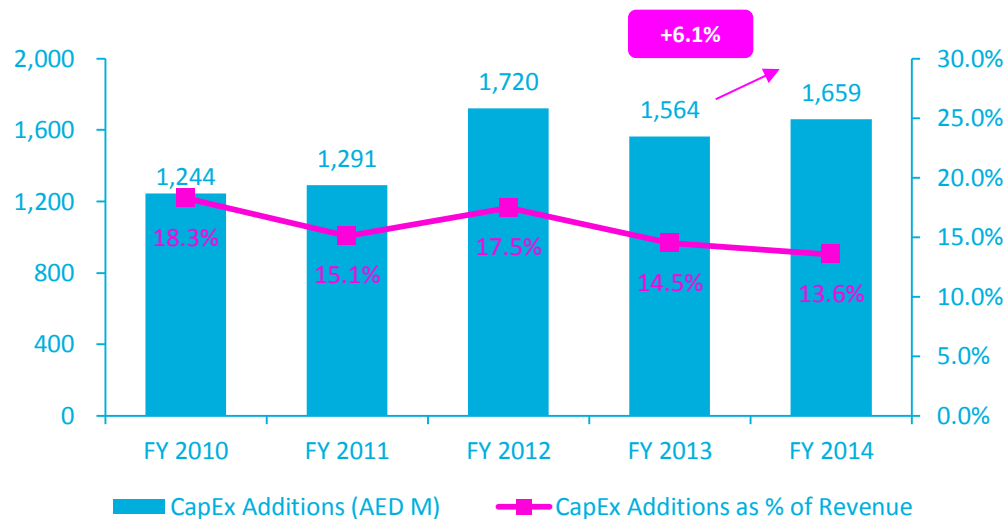
# Capital Investments

Substantial investments to provide enhanced network experience to users

## Quarterly CapEx Additions (AED M)



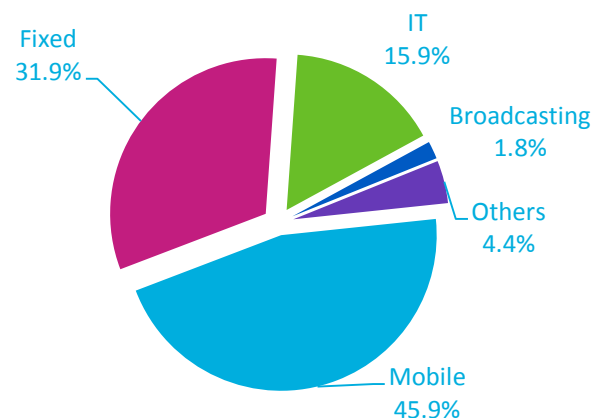
## Yearly CapEx Additions (AED M)



## Continued investment in infrastructure

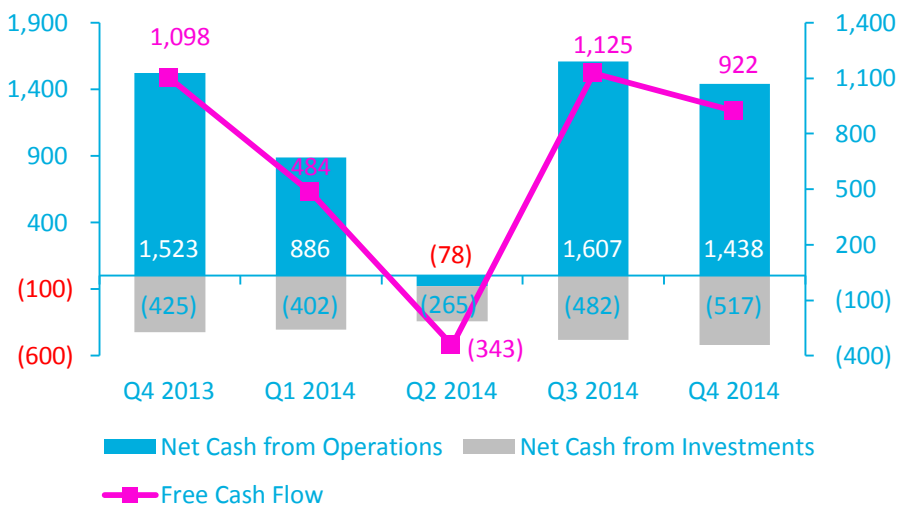
- Accelerated spending in Q4 2014 mainly on LTE and 3G network rollout
- Spending on new fixed network technology, GPON

## Full Year CapEx Spend by Segment

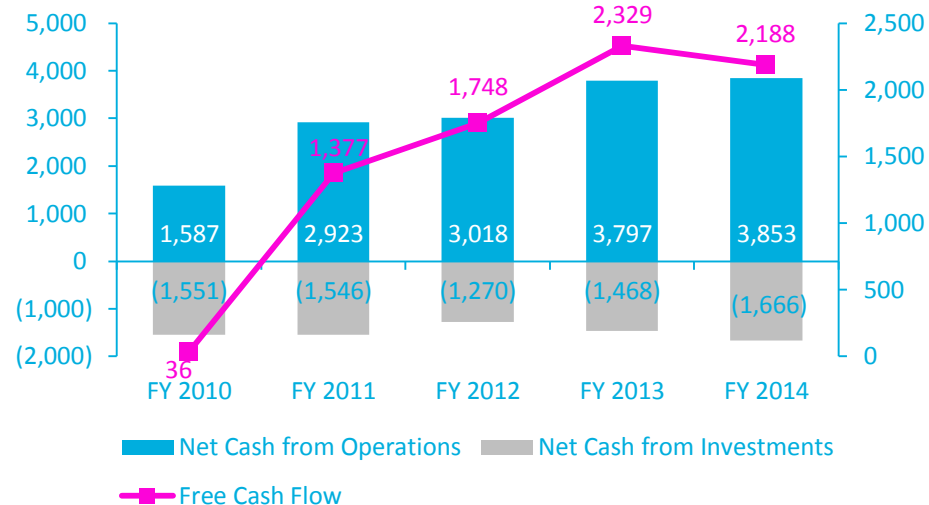


# Cash & Debt Overview

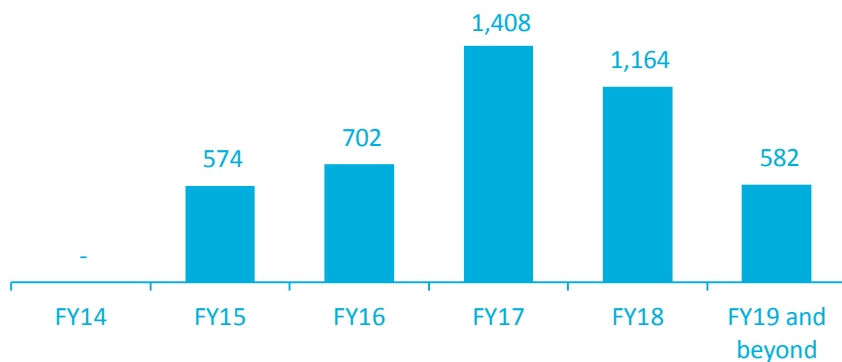
## Quarterly Free Cash Flow (AED M)



## Year on Year Free Cash Flow (AED M)



## Debt Maturity Profile (AED M)



Free cash flow is defined as cash from operations less spending on tangible and intangible assets and new investments



# Disclaimer

- Emirates Integrated Telecommunications Company PJSC (hereafter "du") is a telecommunication services provider in the UAE.
- du cautions investors that certain statements contained within this document state management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements.
- Management wishes to caution the reader that forward-looking statements are not historical facts and are only estimates or predictions. Actual results may differ materially from those projected as a result of risks and uncertainties, but are not limited to:
  - Our ability to manage domestic and international growth and maintain a high level of customer service
  - Future sales growth
  - Market acceptance of our product and service offerings
  - Our ability to secure adequate financing or equity to fund our operations
  - Network expansion
  - Performance of our network and equipment
  - Our ability to enter into strategic alliances or transactions
  - Co-operation by the incumbent in provisioning lines and enabling us to interconnect our equipment at the local exchange
  - Regulatory approval processes
  - Changes in technology
  - Price competition
  - Other market conditions and associated risks
- The company undertakes no obligation to update publicly any forward-looking statements, whether as a result of future events, new information, or otherwise.
- For further information about the company, or material contained within this forward looking statement, please direct your enquiries to our Investor Relations team by email at [investor.relations@du.ae](mailto:investor.relations@du.ae) or by telephone on +971 4 434 5101.

